

**33880**

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COMMUNITY COLLEGE DISTRICT NO. 508  
NOVEMBER 7, 2019

# FINANCE & ADMINISTRATIVE SERVICES COMMITTEE

November 7, 2019



**CITY COLLEGES'**  
of CHICAGO

# FY2019 Financial Audit Results

# Fiscal Year Ended June 30, 2019

## Comprehensive Annual Financial Report (CAFR)

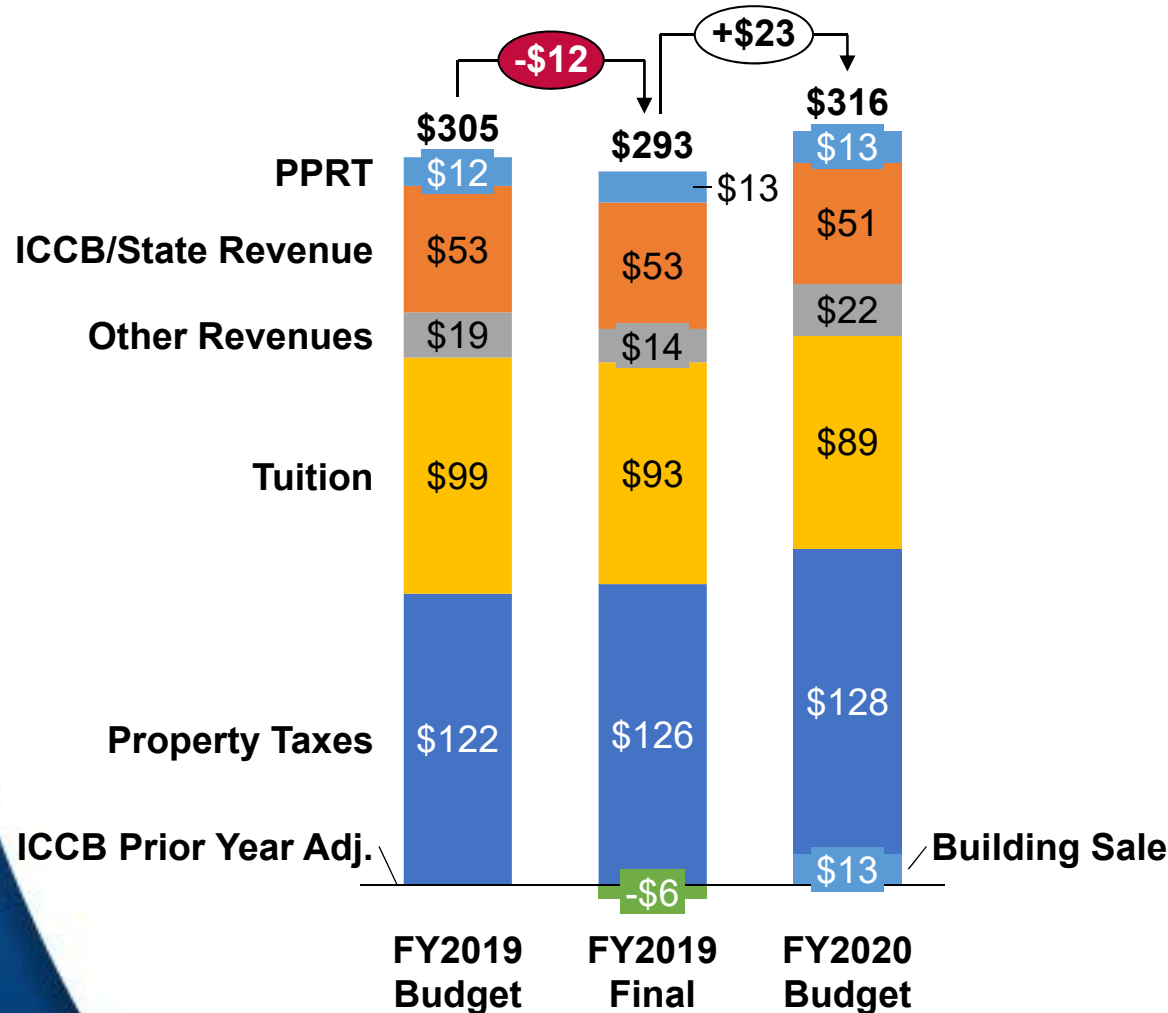
- The CCC FY2019 external audit was completed on October 17, 2019
  - The audit is required to be completed by December 31, 2019 per Illinois statute
  - CCC has received an unmodified (clean) opinion on City Colleges' June 30, 2019 financial statements
  - There have been no disagreements between RSM and management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements
  - There were two (2) audit adjustments recorded which resulted in a decrease of (\$202,504) to net position
  - There were seven (7) audit findings related to Federal awards

# FY2019 Financial Results

(\$ in thousands)

	2019 Adopted Budget	Actuals	Variance	Notes
<b>Revenues</b>				
Local government	\$121,775	\$126,198	\$4,423	Includes City TIF surplus
PPRT	12,705	13,490	785	
State government	52,696	52,725	29	
ICCB Claims Adjustments		(6,647)	(6,647)	ICCB FY16-19 adjusted claims of \$9.3M offset by \$2.7M of prior reserves
Federal government	2,012	1,855	(157)	
Tuition and fees	99,038	92,474	(6,564)	Due to lower than anticipated enrollment
Auxiliary/Enterprise	9,541	7,285	(2,256)	Due to college enterprise strategies not implemented
Facilities Rental	1,457	1,374	(83)	
Investment Income	1,474	2,849	1,375	Increase based on higher short-term rates & cash balances
Fundraising	4,460	994	(3,466)	Fundraising goals not met
<b>Revenues Total</b>	<b>\$305,157</b>	<b>\$292,595</b>	<b>(\$12,562)</b>	
<b>Expenses</b>				
Salaries	(\$183,329)	(\$192,021)	(\$8,692)	Due to newly settled CBA agreements
Benefits	(37,143)	(34,533)	2,610	Due to fewer health claims and \$1M savings on prescription drug costs
OPEB	(3,900)	9,153	13,053	Based on actuarial estimates and reporting requirements
Contractual Services	(17,914)	(16,340)	1,573	Savings on transactional based contracts due to lower enrollment
Materials and Supplies	(13,379)	(12,674)	706	
Travel and Conference	(1,168)	(767)	401	
Fixed Charges (includes Debt Service)	(22,886)	(22,744)	142	
Gas and electricity	(6,970)	(7,056)	(87)	
Other utilities	(1,335)	(1,084)	251	
Scholarships and waivers	(13,094)	(11,959)	1,135	Due to Star \$600k under budget and college discretionary waivers \$500k under budget
Bad debt	(5,213)	(5,849)	(636)	
Other Expenses	(327)	(621)	(294)	
<b>Expenses Total</b>	<b>(\$306,657)</b>	<b>(\$296,495)</b>	<b>\$10,163</b>	
<b>Net Appropriated Assets</b>	<b>1,500</b>			
<b>Net Resources Less Expenditure</b>	<b>-</b>	<b>(3,900)</b>	<b>(2,399)</b>	

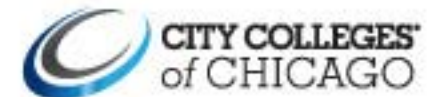
# FY2019 Operating Revenues\* Were **(\$12M)** Unfavorable to Budget (\$ in millions)



## Key Revenue Drivers

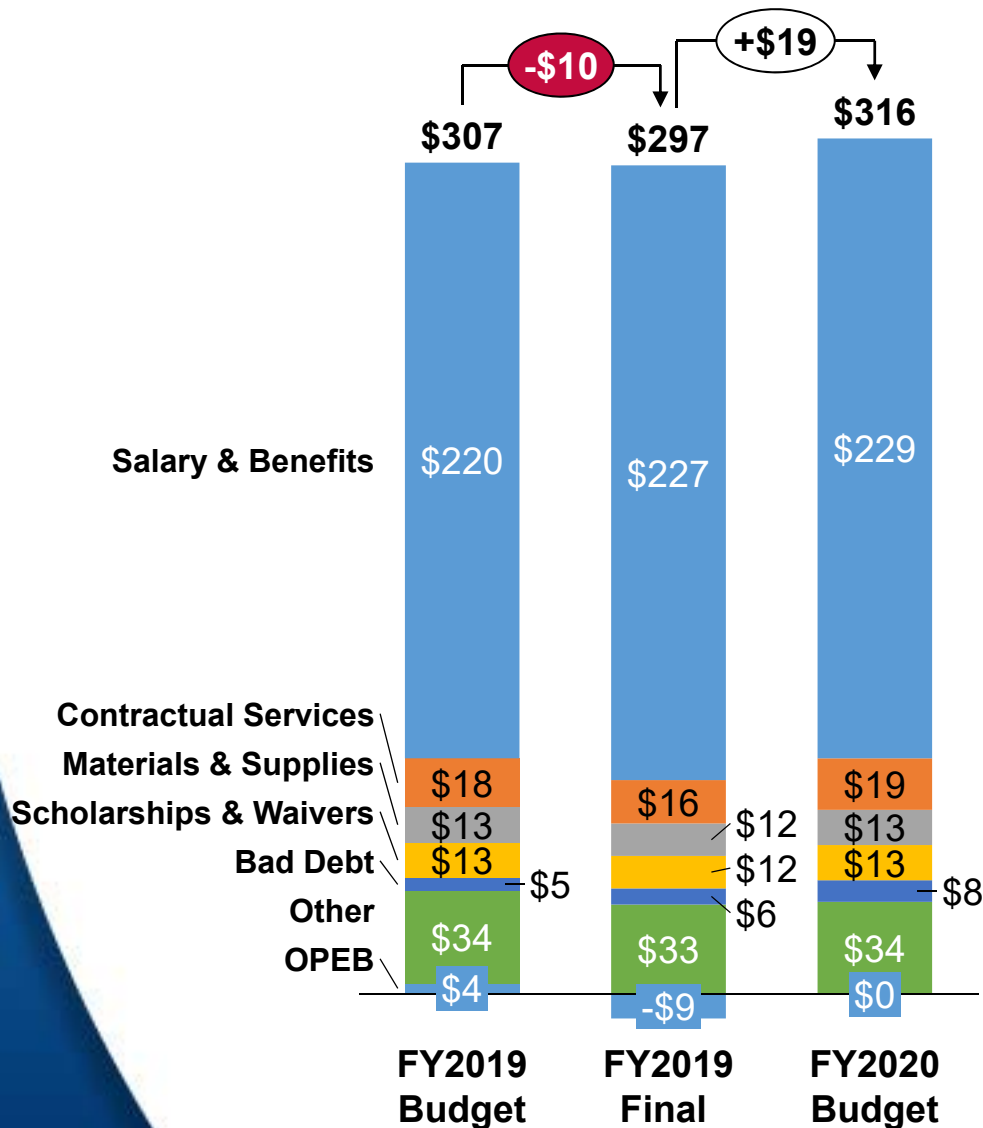
- Tuition was **(\$6M)** under budget due lower than anticipated enrollment
- PPRT was **\$1M** higher than budget
- Property Tax revenue was about **\$4M** above budget with City declared TIF surplus
- Other Revenues were under budget by **(\$5M)** due to; Fundraising missed targets of **(\$3M)**, Enterprise under budget by **(\$3M)**, partially offset by higher Investment income **\$1M**
- ICCB/State Funding was reduced by about **(\$6M)** due to FY16-19 adjusted credit hour claims

\*Includes Education, Operations & Maintenance, Bond & Interest, Auxiliary Enterprise, Audit and Liability and Protection Settlement Fund



# FY2019 Operating Expenses\* Were \$10M Favorable Budget

(\$ in millions)



## Key Expense Drivers

- Personnel related expenses were unfavorable to budget by **\$7M**; due to a **\$9M** increase in salaries due to bargaining settlements partially offset by Benefit savings of **\$2M**
- OPEB was **\$13M** favorable to budget due to actuarial valuations
- Contractual services, **\$2M**, and Materials and Supplies, **\$1M**, both were favorable to budget
- Scholarships and Waivers were about **\$1M** favorable to budget due to more timely completions of financial aid applications for scholarship last dollar programs
- Student bad debt expense slightly less than **(\$1M)** unfavorable to budget

\*Includes Education, Operations & Maintenance, Bond & Interest, Auxiliary Enterprise, Audit and Liability and Protection Settlement Fund

# Change in Net Assets

Unrestricted Net Assets at 6/30/2019 are **(\$82)** million, and fall short of the GFOA recommended minimum level of 5% of operating expenses, or \$15M.

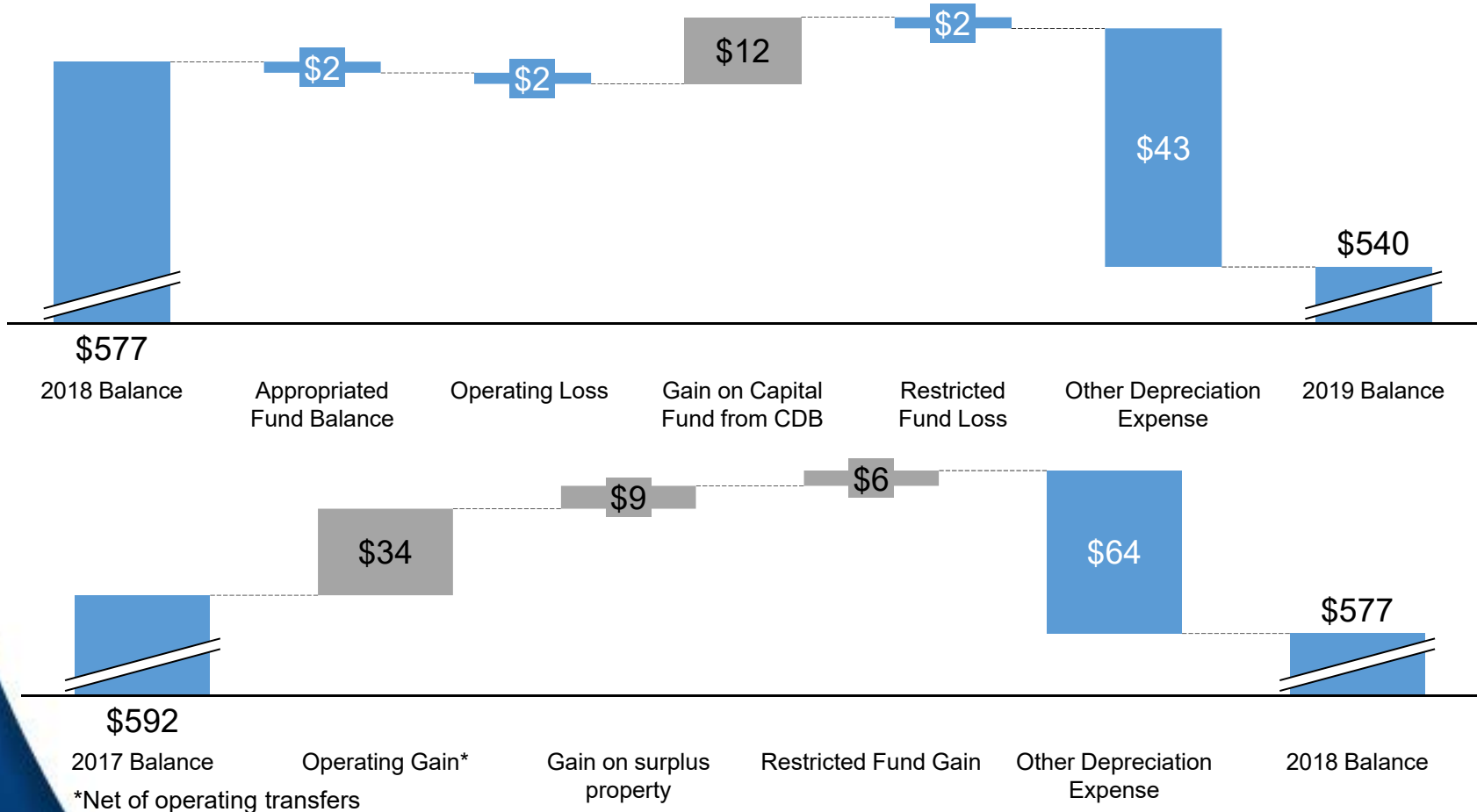
Net Assets (\$ in millions)	6/30/2019	6/30/2018	6/30/2017
Unrestricted	<b>(\$82M)</b>	<b>(\$79M)</b>	<b>(\$114M)*</b>
Restricted (Audit, Liability, Protection and Settlement Fund)	0.4	2	1
Net Investments in Capital Assets	622	654	705
<b>Total Net Assets</b>	<b>\$540M</b>	<b>\$577M</b>	<b>\$592M</b>

\*Includes Other Post-employment Benefits (OPEB) restatement of **(\$76M)**

# Net Asset Roll-Forward

Decline in Net Asset Balance of **(\$37M)** in FY19 is largely due to depreciation expense offset by Capital Development Board funds received for Olive-Harvey College construction

(\$ in millions)

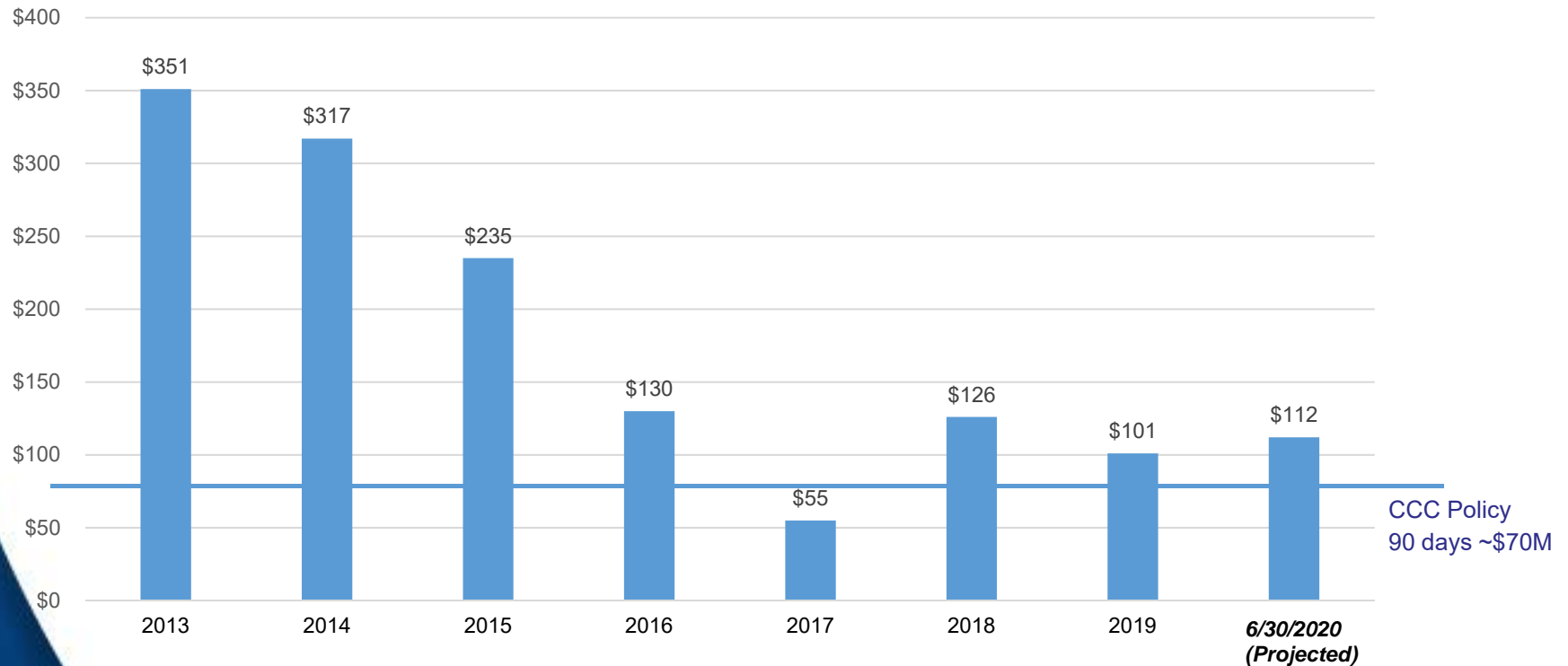




# The District is Focused on Stabilizing its Cash Position

- CCC's goal is to establish financial growth stabilization, and provide a positive outlook on the financial position of the District.
- CCC used cash reserves to fund priority investments during the State budget crisis.
- The sale of downtown headquarters closed on September 30, 2019.

CCC's Operating Cash Balances  
(\$ in millions)



# Capital Expenditures

(\$ in millions)

College	FY2018	FY2019	FY2020 Planned
Malcolm X	\$4.7	\$8.0	\$4.4
Daley	11.2	26.3	4.9
Olive-Harvey	0.1	9.0	4.8
Other	5.2	11.8	28.5
<b>Total</b>	<b>\$21.2</b>	<b>\$55.1</b>	<b>\$42.6</b>

- CCC is in the second year of the Comprehensive Five-Year (FY2019-2023) Construction Improvement Program totaling \$236.9M
- CCC's portion of the Statewide Capital Bill is \$27.6M
- CCC plans to use \$15M of our own cash reserves in FY20 for deferred maintenance and any local match requirements

# FY2020-Q1 Financial Update

# FY20 – 1<sup>st</sup> Quarter (9/30/19) Forecast

(\$ in thousands)

	2020 Adopted Budget	2020 Forecast	Variance	Notes
<b>Revenues</b>				
Local Government	127,575	130,075	2,500	City declared TIF surplus \$2.5M higher than budget IL DOR FY20 estimate includes higher corporate tax collections
PPRT	13,205	15,509	2,304	
State Government	50,546	50,546		
Federal Government	2,148	2,148		
Tuition and Fees	88,800	83,500	(5,300)	Due to enrollment declines. Assumes similar decline in Spring 2020
Auxiliary/Enterprise	13,546	13,546		
Facilities Rental	1,457	1,457		
Investment Income	2,500	2,500		
Fundraising	3,181	3,181		
Building Sale Proceeds	12,944	12,944		
<b>Revenues Total</b>	<b>315,901</b>	<b>315,405</b>	<b>(496)</b>	
<b>Expenses</b>				
Salaries	(189,401)	(191,401)	(2,000)	We are actively managing the forecast with salvage plans
Benefits	(39,392)	(38,392)	1,000	Due to health claim trends with a smaller workforce
Contractual Services	(18,771)	(18,771)		
Materials and Supplies	(13,035)	(13,035)		
Travel and Conference	(1,008)	(1,008)		
Fixed Charges (includes Debt Service)	(23,574)	(23,574)		
Gas and Electricity	(7,099)	(7,099)		
Other Utilities	(1,309)	(1,309)		
Scholarships and Waivers	(13,250)	(13,250)		
Bad Debt	(8,000)	(6,000)	2,000	Due to lower anticipated receivable balances
Other Expenses	(1,064)	(1,064)		
<b>Expenses Total</b>	<b>(315,901)</b>	<b>(314,901)</b>	<b>1,000</b>	
<b>Net Resources Less Expenditure</b>	<b>-</b>	<b>504</b>	<b>504</b>	

## FY2019 Financial Audit Findings

# FY2019 Audit Findings

## FY2019 Audit

- No (0) material weaknesses or (0) significant deficiency reported in Financial Audit in FY2019
- Seven (7) A-133 Audit Findings on Report of Federal Awards including Internal Control Significant Deficiency

## FY2018 Audit

- No (0) material weaknesses or (0) significant deficiency reported in FY2018
- Four (4) A-133 Audit Findings on Report of Federal Awards FY2018

# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p><b>2019-001 Short Term Programs at Postsecondary Vocational Institutions-Significant Deficiency</b></p>	<p>The College did not track placement information and document its calculation for placement rates for each student enrolled in a short-term program at a post-secondary vocational institution.</p> <p>For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution be between 300 - 599 clock hours. They must have been provided for at least one year and must have a substantiated completion and placement rate of at least 70 percent for the most recently completed award year. 34 CFR Section 668.8(f) and (g) requires the college to have documentation supporting its placement rates for each student showing that the student obtained gainful employment in the recognized occupation for which he or she was trained or in a related comparable recognized occupation.</p>	<p>Historically, a survey went out to student completers to retrieve gainful employment data from the district office. The survey and its articulation of the data stalled due to restructuring of departments and staff at the district office. CCC will re-implement the gainful employment survey to students who have completed short-term programs over the past year.</p> <p>For FY20, CCC will early implement the rescission of the Gainful Employment Rule. Institutions that early implement the rescission of the GE rule will not be required to report GE data for the 2018-2019 award year to NSLDS, which will be due October 1, 2019. Additionally, those institutions that early implement will not be required to comply with the current requirements in 34 CFR 668.412 (d) and (e) that require institutions to include the disclosure template, or a link thereto, in their GE program promotional materials and directly distribute the disclosure template to prospective students, which will be required starting on July 1, 2019. Institutions that early implement will no longer be required to post the GE Disclosure Template and may remove the template and any other GE disclosures that are required under 34 CFR 668.412 from their web pages. Finally, an institution that early implements will not be required to comply with the certification requirements for GE programs under 34 CFR 668.414</p> <p><a href="https://ifap.ed.gov/eannouncements/062819GEAnnounce122EarlyImplofRescissionGERule.html">https://ifap.ed.gov/eannouncements/062819GEAnnounce122EarlyImplofRescissionGERule.html</a></p>	<p>Melvin Allen – Associate Vice Chancellor of Enrollment Management</p> <p>Anticipated completion date: 06/30/2020</p>

# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<b>2019-002 Return of Title IV Funds – Post-withdrawal Disbursements</b>	For three out of sixty students tested, the College did not complete a post-withdrawal disbursement to the student within 45 days from the student’s withdrawal date of determination. 34 CFR Section 668.22 requires the College to disburse any post-withdrawal grants funds which were not credited to the student’s account any later than 45 days after the College determines the student withdrew.	The Office of Student Financial Aid will provide college wide procedural update to be outlined in the FY2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the all district financial aid meeting. Additionally, the Office of Student Financial Aid will collaborate with IT and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.	Melvin Allen – Associate Vice Chancellor of Enrollment Management  Anticipated completion date: 03/01/2020



# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<b>2019-003 Return of Title IV Funds – Enrollment Reporting (repeat finding)</b>	Four out of sixty students tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). CFR section 685.309 and 690.83(b)(2) requires City Colleges to notify the NSLDS within 30 days of a change in student status or include the change in status in a response to an enrollment reporting roster within 60 days of the student's date of determination of withdrawal.	<p>Timing issues are the primary cause of not fully meeting the department enrollment requirements. The enrollment reporting functions are housed in the College's registrar office and separate from financial aid. An enrollment file is generated at the district level and uploaded. However, students who withdraw before the transcript (last date of qualified refund) do not appear on the enrollment file and a manual process takes place to upload students to National Clearing House.</p> <p>Our information technology staff are still reviewing specific requirements and how National Student Clearinghouse utilizes data to determine the best course of action to bring CCC into full compliance. The Office of Student Financial Aid is reviewing centralization of the enrollment function under financial aid district office team for closer oversight. A separate report will be run at the time NSC files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those students will continue to be manually updated in real time through NSC to reflect the correct enrollment status and effective date.</p>	<p>Melvin Allen – Associate Vice Chancellor of Enrollment Management</p> <p>Anticipated completion date: 07/01/2020 (Interim process is currently in place)</p>

# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<b>2019-004 Return of Title IV Funds – Reporting Disbursements to COD</b>	For two out of sixty students tested, the College did not report the student’s post-withdrawal disbursement to the Common Origination and Disbursement (COD) system within 15 days after making the disbursement to the student. CFR section 688.164(a) requires the College to submit Title IV Funds disbursement records to the Common Origination Database (COD) system, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement.	The Office of Student Financial Aid will provide a college wide procedural update to be outlined in FY2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the all district financial aid meeting. Additionally, the Office of Student Financial Aid will collaborate with IT and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.	Melvin Allen – Associate Vice Chancellor of Enrollment Management  Anticipated completion date: 03/01/2020

# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<b>2019-005 Return of Title IV Funds – Return of Funds</b>	For one out of sixty students tested, the College did not return federal funds to the Department of Education within 45 days from the student's withdrawal date of determination. 34 CFR Section 668.22(j)(1) requires the College to return the amount of title IV funds for which the College is responsible as soon as possible but no later than 45 days after the date the College determined the student withdrew.	The Office of Student Financial Aid will provide college wide procedural update to be outlined in FY2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the all district financial aid meeting. Additionally, the Office of Student Financial Aid will collaborate with IT and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.	Melvin Allen – Associate Vice Chancellor of Enrollment Management  Anticipated completion date: 03/01/2020

# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p><b>2019-006</b> <b>Direct Loan Quality Assurance System</b></p>	<p>In 2019, federal guidelines required that City Colleges implement a quality assurance system over its Direct Loan program. City Colleges operates in a decentralized manner and has numerous process and control memos in place documenting controls and procedures over their direct loan quality assurance system. However, these process and control memos may vary by campus. City Colleges does not have a single, comprehensive document that comprises the direct loan quality assurance system therefore City Colleges is not fully in compliance with this requirement. 34 CFR Section 685.300(b) (9) require schools to implement and document a quality assurance process to ensure that City Colleges is complying with program requirements and meeting program objectives</p>	<p>The Office of Student Financial Aid currently executes the functions of the Direct Loan Quality Assurance by:</p> <ul style="list-style-type: none"> <li>• Reporting loan records, disbursements, and adjustments to disbursements, correctly to the Common Origination and Disbursement (COD) System,</li> <li>• Disbursing and returning loan funds in accordance with regulatory requirements,</li> <li>• Disbursing the correct loan amount to the correct student,</li> <li>• Completing monthly reconciliation and Program Year Closeout.</li> </ul> <p>While all functions were executed, a documented process was not in place because there is no updated financial aid manual in for the colleges. The last active manual was for the 2015-16 School Year. The Office of Student Financial Aid is in process of creating a revised financial aid manual for Fiscal Year 2020. The new manual will document the Direct Loan Quality Assurance process. In addition, the financial aid manual will be reviewed on a semi-annual basis to ensure appropriate changes and updates are included annually.</p>	<p>Melvin Allen – Associate Vice Chancellor of Enrollment Management</p> <p>Anticipated completion date: 06/30/2020</p>

# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p><b>2019-007 Exit Counseling</b></p>	<p>For four out of twenty students tested, exit counseling or mailing of exit counseling materials did not occur within the 30 day timeframe. 34 CFR Section 682.604(g) requires that if a student Stafford loan borrower graduates or withdraws without notifying the school, the school must confirm that the student has completed the online exit counseling or mail exit counseling material to the borrower at his or her last known address. The material must be mailed within 30 days of the school learning that the borrower has withdrawn or failed to participate in an exit counseling session.</p>	<p>The students who were not notified of exit counseling was due to an oversight within the automated system. All students records expected to graduate will update within our system at the start of their last anticipated semester. The expected graduation date triggers the letter to be auto generated and sent out to students. If a student changes their program, the graduation date may be delayed or advanced. This will require a manual entry into the system for these students to trigger the exit counseling notification. Additionally, students who withdraw from all of their classes are not normally sent exit counseling may reenroll during the mini sessions, which run 12 week and 8 week courses within the same semester. This again requires a manual report to be generated of students who withdrew from all of their classes and did not re-enroll in subsequent term.</p> <p>The Office of Student Financial Aid will generate real time report of all students who withdraw from all classes weekly. Those students will be added to an automated report of anticipated graduates to receive exit-counseling notifications. The Office of Student Financial Aid will work with IT and Institutional Effectiveness to add non-graduates who withdraw from all classes to the automated process. The Office of Student Financial Aid will utilize PeopleSoft communication module to ensure timely notifications.</p>	<p>Melvin Allen – Associate Vice Chancellor of Enrollment Management</p> <p>Anticipated completion date: 06/30/2020</p>